



EINLADUNG ZUR NÄCHSTEN VERANSTALTUNG DES POTSDAM RESEARCH SEMINAR IN ECONOMICS

Wir laden Sie herzlich zur nächsten Veranstaltung des Potsdam Research Seminar in Economics am **10.05.2016** ein.

Das Seminar findet von **14.00 bis 16.00 Uhr** (c.t.) in Raum **3.06.S 27** statt.

Referent:

Alexander Wulff
Universität Potsdam

Thema des Vortrages:

Incomplete Information, Financial Market Imperfections, and Aggregate Saving

Abstract:

This paper examines the effects of incomplete information about idiosyncratic income shocks in a heterogeneous-agent, incomplete-market model economy. Agents are subject to permanent and transitory income shocks but cannot distinguish the two components under incomplete information. We find that incomplete information has an ambiguous effect on aggregate saving. At low interest rates, aggregate asset holdings of the population are larger under complete information whereas at higher interest rates aggregate asset holdings are larger under incomplete information. Studying the differences in aggregate asset holdings at different levels of cash-on-hand, we show that the ambiguous behavior can be attributed to the interaction of incomplete information and financial market imperfections. The no-borrowing constraint breaks the symmetry in the agent's saving behavior based on a good or bad shock whereas the income risk leads to a higher precautionary saving demand under incomplete information. In the general equilibrium, we find that the aggregate capital stock is higher under incomplete information for plausible parametrizations.

JEL classification: D52; D80; E21

Keywords: Incomplete information; Income risk; Borrowing constraints; Aggregate saving

Wir freuen uns auf Ihre Teilnahme.